

Rating Rationale

Ganesh Housing Corporation Ltd.

30 July 2019

Brickwork Ratings downgrades the rating of the bank loan facilities of Rs.260.10 Cr of Ganesh Housing Corporation Ltd.

Particulars

Facility	Amt Rated (Rs. Cr)		Tenure	Previous Rating (March 2018)	Rating Based on Current Review (Downgrade)
	Previous	Present			
Term Loans	318.00	260.10	Long Term	BWR BBB (Stable)	BWR BBB-(Stable)
Total Amt	318.00	260.10			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

BWR has principally relied upon the Audited financial results of Ganesh Housing Corporation Ltd. (GHCL) upto FY 19, publicly available information and information/clarification provided by the Company management.

Downgrade in rating follows decline in operating performance of the company for FY19 leading to fall in the coverage indicators, scheduled debt repayment in FY20 and FY21 and slowdown in the real estate market of Gujarat following the implementation of numbers of regulations including Goods and Services Tax (GST) Act, Real Estate (Regulation and Development) Act and GDCR (Gujarat Development Control Regulation).

The rating continues to derive support from expected cash flows from the upcoming retail project in partnership with the offshore fund Fund to take care of debt servicing in current year, extensive experience of the promoters in real estate sector, GHCL's established track record of completed projects, its strong presence in Ahmedabad real estate market comprising of residential and commercial space and integrated township.

Analytical Approach

Key Risk Drivers for rating:

Decline in financial performance: There has been a substantial decline in revenue and profitability at standalone and consolidated basis as most of the projects were completed and revenue was booked in FY18. Consolidated Revenue and profitability declined by 47.8% and 47% respectively and standalone revenues and profitability declined by 54% and 72% respectively for FY19.. As company plan to launch few projects in FY20 , revenue and profitability are expected to pick-up after a couple of years.

Repayment in FY20 and FY21: The company is having outstanding debt of Rs. 663 Cr on a consolidated basis and Rs. 378 Cr on standalone basis as on March 31, 2019. These are in the form of term loans from Banks and financial institutions with the average ROI of 13%. Of this debt, principal of Rs. 167 Cr and Rs. 163 Cr become payable in FY20 and FY21.

The company is planning to service the debt obligations by selling of the land parcels. The company has already signed the two deals or the sale of land parcels and expecting the proceeds of Rs.330 Cr which will primarily be utilized for the repayment of debt obligations.

Slowdown in real estate market of Gujarat: With significant number of regulations being imposed on Real Estate sector, like RERA, GST, and GDCR (Gujarat Development Control Regulation) and also frequent changes in them, had led to the slow down for FY19 on account of lack of confidence regarding the final price of the product. The customers are foreseeing implementation of GST and RERA a reason for uncertainty in prices.

Partnership Project with offshore Fund: The promoters of the company has signed a Memorandum of Understanding (MOU) for the development of a Mixed Use Retail project at Thaltej, Ahmedabad, which will be developed in Partnership with an offshore Fund. The land of the project is owned by Group Company - Mahavir (Thaltej) Complex Pvt. Ltd. (MTCPL) of GHCL in which the promoters – Mr. Dipak Patel and Mr. Shekhar Patel owns 100% equity holding. Project will be developed by MTCPL wherein offshore fund will invest 70% of the total project cost by acquiring 70% share capital of MTCPL. Balance 30% share will be owned by Mr. Dipak Patel and Mr. Shekhar Patel.

GHCL is expecting to receive approximately Rs.150 crore (net of Income Tax) from the deal after deducting the promoter's share of investment in the project. These proceeds shall primarily be utilized for prepayment of existing loans. Cash flows are expected in Q3FY20.

Land Deal : The Company has entered into Memorandum of Understanding (MOU) for sale of a land parcel and expect the proceeds of Rs.30 Cr in Q3FY20 from the sale.

Experienced and Qualified Management with established track record: GHCL is one of the oldest and largest Real Estate Development Company in Ahmedabad. Since its inception, it has built a strong presence in Ahmedabad and has developed and sold over 22 million sq. ft. of real estate space, with another 2.45 million sq. ft. currently under development. Mr. Dipakkumar Patel is the Chairman of the company with approx. three decades of experience in the industry. Mr. Shekhar Patel is the Managing Director. The company is listed on BSE and NSE. They are supported by qualified and experienced management team.

Rating Outlook: Stable

BWR believes the GHCL’s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. Timely receipt of proceeds from the sale of land parcels for servicing of debt repayment and improvement in operating performance of the company will be the key rating sensitivities.

About Ganesh Housing Corporation Ltd. (GHCL):

Ganesh Housing Corporation Ltd. (GHCL) is a public limited company engaged in construction of residential and commercial projects in and around Ahmedabad. GHCL was incorporated in 1991 and is promoted by Mr. Shekhar Patel and his family. Till date, the company along with its various SPVs has developed 22 million square feet of projects with 85% of all the development in residential sector.. As on June 30, 2019 company have plans to launch projects having total saleable area of 1.28 million square feet in the near future.

The company is planning to launch four projects with the total saleable area of 12,78,043 sq.ft in next one year . These projects are expected to be completed over the next 2 to 3 years.

Financials:

GHCL	Consolidated		Standalone	
	FY18	FY19	FY18	FY19
Rs. Crore				
Revenue	500	261	208	95
Operating profit	203	77	127	73
Net Profit	51	27	39	11
Networth	967	823	767	767
Total Debt	707	663	429	378
Total Debt to TNW	0.7	0.8	0.6	0.5
Current Ratio	4.3	3.5	4.2	4.7
DSCR	0.5	0.5	0.5	0.5
ISCR	2.0	0.8	2.2	1.3

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/Short Term)	Amount	Rating	March 2018	2017	Dec 9, 2016
1.	Term Loan	Long Term	260.00	BWR BBB-(Stable) (Downgrade)	BWR BBB (Stable)	BWR BBB-(Stable)	BWR BBB-(Stable)
	Total		260.00				

Status of non-cooperation with previous CRA (if applicable): Reason and comments
N/A

Any other information: N/A

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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